



## State of Utah

### Department of Natural Resources

ROBERT L. MORGAN  
*Executive Director*

### Division of Oil, Gas & Mining

MARY ANN WRIGHT  
*Acting Division Director*

OLENE S. WALKER  
*Governor*

GAYLE F. McKEACHNIE  
*Lieutenant Governor*

December 29, 2004

Robert D. Drachuk  
44 West 400 South  
Box 206  
Delta, Utah 84624

Subject: Acceptance of Notice of Intention to Commence Small Mining Operations and Formal Approval Form and Amount of Reclamation Surety, ML 48944 and ML 48945 Project, S/027/103, Millard County, Utah

Dear Mr. Drachuk:

Thank you for your Notice of Intention to Commence Small Mining Operations and initial \$150.00 permit application fee, received by the Division on November 26, 2004. The proposed ML 48944 and ML 48945 project is located in portions of the NE1/4, SW1/4 and the SW1/4, SE1/4 of Section 36, T15S, R18W, SLBM, Millard County, Utah.

Before we could grant acceptance of the notice, we were required to forward a copy of your notice to the Utah Division of State History to assure that no historical or archaeological properties were in the area of the proposed operation. To date, we have not received any notification from State History as to whether or not there are any historical concerns in the proposed location.

The Division finds your application complete and no additional information is required by this office at this time. The variance section of the notice was left unmarked; therefore, we assume no variances from the reclamation requirements are required. You are bound by the reclamation requirements outlined in the notice ( a summary of those requirements is attached).

On December 29, 2004, the Acting Director of the Division of Oil, Gas and Mining formally approved the form and amount of reclamation surety for this mine site. The reclamation surety in the amount of \$1,500 is in the form of a Certificate of Deposit issued by Zions Bank. We have enclosed copies of the fully signed and executed Reclamation Contract and Certificate of Deposit for your files. We will forward a copy of the executed documents to SITLA for their records. The surety is minimal because of the nature of your notice being surface mining of fossils, with little disturbance.

Robert Drachuk  
Page 2 of 2  
S/027/103  
December 29, 2004

***The Division hereby grants its final acceptance of your small mining notice of intention and the reclamation surety for the ML 48944 and ML 48945 Project.***

**You may commence with your mining operations as outlined, provided you have satisfied and received written acceptance from the School and Institutional Trust Lands Administration requirements. Please be advised that if you encounter any archaeological or historical concerns, you are to immediately cease operations and notify this office, SITLA, and State History of your find.**

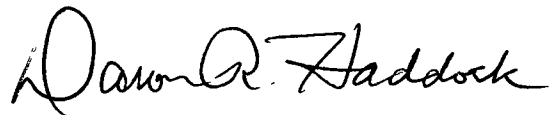
Unlike large mining operations where the surety is escalated five years into the future, the surety for small mining operations will be reviewed periodically to assure that the bond remains adequate.

The acceptance of this notice and surety is for a small mining operation only, **not to exceed one acre.** You are not authorized to disturb beyond the one acre without first amending your notice, adjusting the bond amount and receiving written acceptance from this office as well as from SITLA.

The Utah Mined Land Reclamation Act of 1975 [40-8-7(I)] provides the authority for fee implementation which was approved by the Utah Legislature at its 1998 session. Permit fees are due annually until the site is officially released in writing by this office and SITLA.

If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Tom Munson at 538-5321. Best wishes with your new mining venture.

Sincerely,



Daron R. Haddock  
Permit Supervisor  
Minerals Regulatory Program

DRH:jb  
Attachment: SMO summary  
Enclosure: Copy of RC & surety forms  
cc: Will Stokes, ML 48944 and 489454 wEncl  
O:\M027-Millard\S0270103-ML48944&48945\final\apvl-SMO-NOI&surety.doc

FORM MR-RC  
Revised November 1, 2004  
RECLAMATION CONTRACT

File Number S/027/103

Effective Date Dec 29, 2004

Other Agency File Number ML 48944 & 48945

**STATE OF UTAH**  
**DEPARTMENT OF NATURAL RESOURCES**  
**DIVISION of OIL, GAS and MINING**  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940

RECEIVED

DEC 28 2004

**RECLAMATION CONTRACT**

---ooOoo---

DIV OF OIL GAS & MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>S/027/103</u>
(Mineral Mined)	<u>Fossils</u>
"MINE LOCATION":	
(Name of Mine)	<u>ML 48944 &amp; ML 48945</u>
(Description)	<u>4 miles east of Foot Ranch, north of</u> <u>Hwy 50, near the town of Gandy, UT.</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>1 Acre</u>
(Legal Description)	<u>(Refer to Attachment A)</u>
"OPERATOR":	
(Company or Name)	<u>Robert D. Drachuk</u>
(Address)	<u>44 West 400 South</u> <u>Box 206</u> <u>Delta, Utah 84624</u>
(Phone)	<u>(435) 864-5472 - fax: 435-864-4252</u>

"OPERATOR'S REGISTERED AGENT":

Name)

Robert D. Drachuk

(Address)

44 West 400 South, Box 206

Delta, Utah 84624

(Phone)

(435) 864-5472

"OPERATOR'S OFFICER(S)" & TITLE:

Owner

SURETY":

(Form of Surety - Attachment B)

Certificate of Deposit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Zions Bank

"SURETY AMOUNT":

(Escalated Dollars)

\$1,500

"ESCALATION YEAR":

2005

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Robert D. Drachuk the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. S/027/103 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.



NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved/accepted Notice of Intention and Reclamation Plan or Notice received November 26, 2004. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification,



Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Robert D. Drachuk  
Operator Name

By Robert D. Drachuk  
Authorized Officer (Typed or Printed)

Owner  
Authorized Officer - Position

Robert D Drachuk 12/28/04  
Officer's Signature Date

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 28<sup>th</sup> day of December, 2004, Robert D Drachuk  
personally appeared before me, who being by me duly sworn did say that he/she is the  
owner of ML 48944 & ML 48945 and  
duly acknowledged that said instrument was signed on behalf of said company by  
authority of its bylaws or a resolution of its board of directors and said  
Robert D Drachuk duly acknowledged to me that said  
company executed the same.

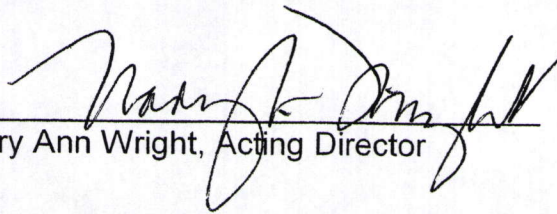
Joelle Burns  
Notary Public  
Residing at SLC UT



April 4, 2005  
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By   
Mary Ann Wright, Acting Director

Date 12/29/04

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 29<sup>th</sup> day of December, 2004, Mary Ann Wright  
personally appeared before me, who being duly sworn did say that she, the said  
Mary Ann Wright is the Acting Director of the Division of Oil, Gas and  
Mining, Department of Natural Resources, State of Utah, and she duly acknowledged to  
me that she executed the foregoing document by authority of law on behalf of the State  
of Utah.



Joelle Burns  
Notary Public  
Residing at: S LC Ut

April 4, 2005  
My Commission Expires:



## ATTACHMENT "A"

Robert D. Drachuk  
Operator

ML 48944 & ML 48945  
Mine Name

S/027/103  
Permit Number

Millard County, Utah

### LEGAL DESCRIPTION

*Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.*

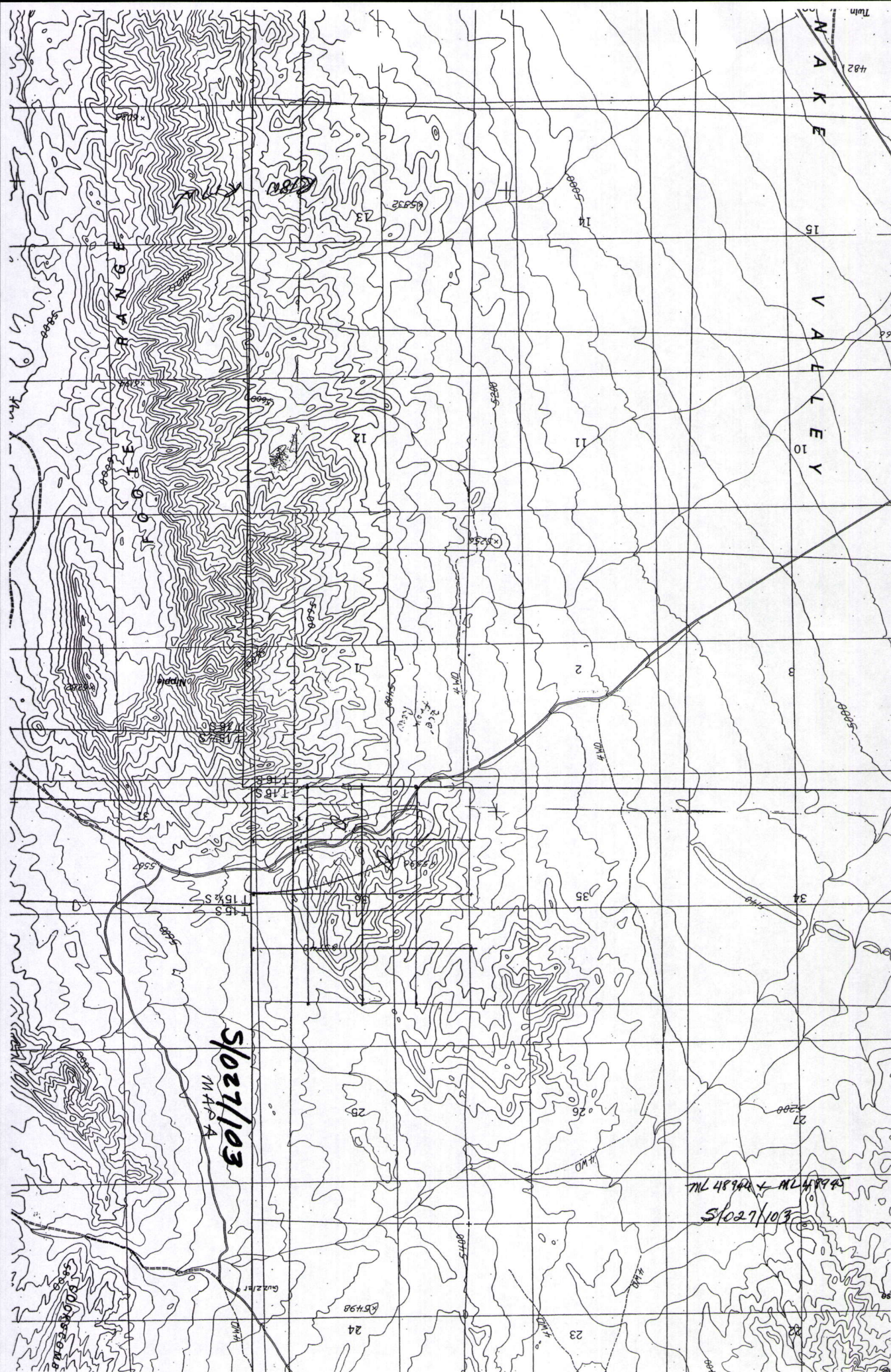
**The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 1 (one) acres under the approved / accepted permit and surety, as reflected on the attached map labeled Map A and dated November 26, 2004 :**

Portions of:

NE1/4, SW1/4: Section 36  
SW1/4, SE1/4: Section 36

Township 15 South, Range 18 West





Turn  
NAKE

V  
A  
L  
L  
E  
Y

R  
A  
N  
G  
E

S/027/103  
M45A

ML48964 + ML48874  
S/027/103





OLENE S. WALKER  
Governor  
GAYLE F. McKEACHNIE  
Lieutenant Governor

State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas & Mining

ROBERT L. MORGAN  
Executive Director

LOWELL P. BRAXTON  
Division Director

December 1, 2004

Zions Bank  
20 East Main Street  
Delta, Utah 84624  
(435) 864-2001

RECEIVED

DEC 28 2004

DIV OF OIL GAS & MINING

Attention: Jay Finlinson, Customer Service Manager

Subject: Reclamation Surety, Certificate of Deposit for Robert Drachuk's ML 48944 & ML 48945 Mine Site, S/027/103, Millard County, Utah  
Certificate of Deposit no. \_\_\_\_\_; Principal Amount \$1,500.

This letter describes the mutually agreed upon instructions of the below signed parties to Zions Bank ("Bank"), regarding the control, redemption, and release of Bank's above-described certificate of deposit ("CD"), which is being used as a surety to guarantee the availability of reclamation funds for the ML 48944 & ML 48945 mine site ("Mine Site"), Millard County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$1,500 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining ("Division") and the School and Institutional Trust Lands Administration ("SITLA") upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

**Ownership and Renewal:**

Ownership of the CD is retained by Robert Drachuk, an individual ("Owners"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and SITLA and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by both the Director of the Division and the authorized officer of SITLA.

**Redemption:**

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of both the Director of the Utah Division of Oil, Gas & Mining and the authorized officer of SITLA to the Bank. Upon the instruction and demand of the Director and authorized officer of SITLA, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division and the authorized officer of SITLA may redeem the CD.

**Release:**

The bank shall release the CD only upon the written instruction of both the Director of the Division and the authorized officer of SITLA to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest.

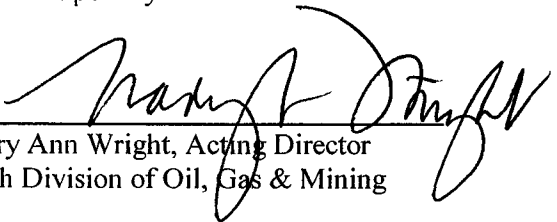
**Accrued Interest:**

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$1,500.00. All tax liabilities for accrued interest shall remain the sole responsibility of the Owners.

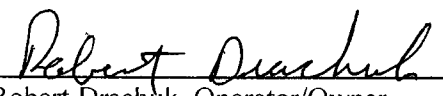
**Bank will not be held liable for any dispute between the parties.**



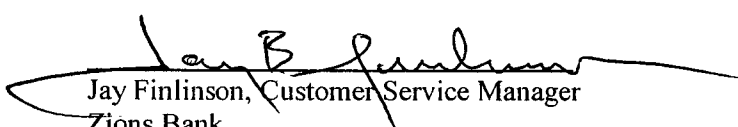
Agreed Upon By:

  
Mary Ann Wright, Acting Director  
Utah Division of Oil, Gas & Mining

Date: 12/29/04

  
Robert Drachuk, Operator/Owner  
Tax ID Number: \_\_\_\_\_

Date: 12-27-04

  
Jay Finlinson, Customer Service Manager  
Zions Bank

Date: 12-27-04

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1. INTRODUCTION

2. OBJECTIVES

3. SCOPE OF THE STUDY

4. METHODS

5. RESULTS AND DISCUSSION

6. CONCLUSIONS

7. REFERENCES

8. APPENDICES